Thai 2011 GDP growth cut to 1.8% by Phatra

We again lowered our 2011 GDP growth estimate to 1.8% from 2.5%. The downward revision resulted from unexpectedly weak 3QGDP and a fuller account of the flood damage in Bangkok. The flood is now expected to cut GDP by 2.2% (for all of 20111) from pre-flood estimates.

4Q12 GDP to fall by 2%YoY

We expect 4Q GDP to contract 2%YoY and nearly 4%QoQ. But Thailand will likely avoid technical recession because the floods have receded and reconstruction would boost GDP growth in 1Q 2012. The seven flooded industrial estates are starting to drain the water and begin damage assessment and cleanup. Some should be able to restart production by mid- to late December. Returning to the pre-flood level would take 1-2 quarters. Therefore, we expect the economy to return to normal by 2Q 2012.

Our 2012 growth estimate is at 4.0%, below consensus

We forecast 2012 GDP to grow 4.0%, below consensus forecast of 4.3%. National Economic and Social Development Board (NESDB) expects growth to be strong next year at between 4.5% to 5.5%. Our less optimistic forecast is based on our forecast of recession in Europe and weaker than consensus forecasts in several key countries. The less favorable external environment will be a headwind to growth next year but post-flood reconstruction and reinvestment should partially shore up growth. Therefore, the source of growth next year should be more domestic-demand based.

NESDB outlook for 2012

- NESDB sees 2011 GDP growth at 1.5% vs our forecast of 1.8% and 2.6% consensus (early Nov survey).

- NESDB estimates that the flood impact would reduce GDP growth by 2.3% to 1.5% from its baseline forecast of 3.8%. Nearly 70% came from loss in manufacturing output, 20% from wholesale and retail trade and 10% from agriculture, tourism and others.

- NESDB expects GDP to grow 4.5-5.5% in 2012. The forecast is based on optimistic global growth: US (2.2%), EU (1%), Japan (2%) and China (9%), allowing Thai exports to grow 19% in 2012.

- Supporting factors for 2012 are: business rehabilitation measures (credit support, cut in corporate income tax, and returning confidence); Asian economic growth; rising household income from minimum wage hike, rise in government salary for graduates; and agriculture price supports.